

CITY OF COLFAX, IOWA

Independent Auditors' Reports
Basic Financial Statements and
Supplemental Information
and Findings

June 30, 2012

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City of Colfax, Iowa
Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dick Reed	Mayor	January, 2016
Kathryn Gullion	Council Member	January, 2016
Brad Magg	Council Member	January, 2014
Bryan Poulter	Council Member	January, 2016
Steve Theis	Council Member	January, 2016
Karla Jones	Council Member	January, 2014
Kathy Mathews	City Clerk	Indefinite
Larry Opfer	Treasurer	Indefinite
John Billingsley	City Attorney	Indefinite

POLLARD AND COMPANY P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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PRIVATE COMPANIES PRACTICE SECTION
IOWA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Colfax

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Colfax, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Colfax as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also included our report on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Colfax's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statement for the seven years ended June 30, 2011 (none of which are presented herein), and expressed unqualified opinions on those financial statements which were prepared in conformity with an other basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis and the Budgetary Comparison information are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards

Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

May 10, 2013

Pollard and Company P.C.

CITY OF COLFAX MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Colfax provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ending June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements and the accompanying notes, which follow.

FINANCIAL HIGHLIGHTS

- The City's receipts totaled \$2,973,085 for the year ended June 30, 2012, an increase from 2011 which was \$2,450,272.
- Disbursements for the year totaled \$ 2,591,870 a decrease from 2011 which was \$3,078,279.
- The City's total cash basis net assets as of June 30, 2012 were \$1,315,312. Of this amount governmental activities had \$15,260 and the net assets of business type activities were \$1,300,052.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the city as a whole and presents an overall view of the City's finances.

Notes to financial statements provide additional information essential to full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash balances for governmental and business type activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	June 30, 2012	June 30, 2011
Receipts:		
Program receipts:		
Charges for service	226,347	120,678
Grants, contributions and restricted interest	300,116	238,912
General receipts:		
Property tax		
for general purpose	524,394	501,160
for debt service	190,643	178,061
Bond Proceeds	0	100,000
Unrestricted investment earnings	4,350	6,933
Other City taxes	210,121	234,279
Miscellaneous	47,437	130,511
Total receipts	\$1,503,408	\$1,510,534
Disbursements:		
Public safety	435,717	450,330
Public works	184,578	302,819
Health & Social Services	0	4,217
Culture and recreation	238,896	172,112
Community and economic development	107,916	130,449
General government	240,012	235,094
Debt service	185,010	198,018
Total disbursements	\$ 1,392,130	\$ 1,493,039
Increase (decrease) in cash basis net assets beginning of year	111,278	17,495
Cash basis net assets (deficit) beginning of year	<96,018>	<113,513>
Cash basis net assets end of year	\$ 15,260	\$ <96,018>

Changes in Cash Basis Net Assets of Business Type Activities

	June 30, 2012	June 30, 2011
Program Receipts:		
Charges for service		
Water	418,046	325,838
Sewer	435,189	371,141
Sanitation	138,972	139,140
Capital grants & restricted interest	402	103,619
Bond proceeds	477,068	0
Total receipts	\$ 1,469,677	\$ 939,738
Disbursements		
Water	586,689	1,010,876
Sewer	490,646	439,082
Sanitation	122,405	135,282
Total Disbursements	\$ 1,199,740	\$ 1,585,240
Increase(decrease) in cash balance	269,937	<645,502>
Cash basis net assets beginning of year	1,030,115	1,675,617
Cash basis net assets end of year	\$ 1,300,052	\$ 1,030,115

INDIVIDUAL MAJOR GOVERNMENT FUND ANALYSIS

The following are the major reasons for the changes in fund balances of certain major funds from the prior year.

- The General Fund has a deficit balance of \$<331,738>. This deficit balance is a \$55,708 decrease from last year's deficit. The City will continue to cut spending when possible.
- Employee Benefit Fund cash balance is \$104,565. Benefit payments were under property tax receipts in this year.
- The Debt Service Fund cash balance has a deficit of \$<22,904> after disbursements for the year and an increase in property tax receipts. The City will need to increase the debt service levy in an upcoming budget.
- The Road Use tax fund has a cash balance of \$23,023.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased \$308,781.
- The Sewer Fund cash balance decreased \$55,432. Sewer charges for service will be increased in the next fiscal year.
- The Garbage/Landfill cash balance increased \$16,588.

DEBT ADMINISTRATION

At June 30, 2012, the City had \$1,783,966 in bonds and other long-term debt, compared to \$1,652,269 last year, as shown below.

Outstanding Debt at Year-End		
	June 30, 2012	June 30, 2011
Equipment Contract	36,217	47,434
General obligation bonds	149,716	317,870
Revenue notes	<u>1,598,033</u>	<u>1,286,965</u>
Total	\$1,783,966	\$1,652,269

The City's outstanding general obligation debt of \$149,716 is below its constitutional debt limit of \$3.9 million.

During the year, the City issued \$477,068 of water revenue bonds.

BUDGETARY HIGHLIGHTS

- The City had budget amendment in fiscal year 2012 of \$554,968 which included increases in Public Safety \$25,000; Public Works \$471,968; Community & Economic Development \$40,000 and Culture/Recreation \$18,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

City of Colfax's elected and appointed officials considered many factors when setting the fiscal year 2013 budget; tax rates and fees that will be charged for various City activities were discussed.

The budget for 2013 estimates revenues of \$1,293,721 and expenses of 1,218,344 total governmental. Proprietary fund estimates are revenues of \$795,500 and expenses of \$781,941.

Due to careful planning, the City's budgeted cash balance is expected to remain consistent with the close of 2012.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, tax payers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it received. If you have questions about this report or need additional financial information, contact Kathy L. Mathews, City Clerk, 15 E Howard, Colfax, Iowa.

City of Colfax, Iowa
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2012

Functions/Programs	Disbursements	Program Receipts		
		Charges for Services	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities				
Public safety	\$ 435,717	\$ 184,295	\$ 34,803	\$
Public works	184,579		198,523	
Health and Social Services				
Culture and recreation	238,896	42,052		
Community and economic development	107,916			66,790
General government	240,012			
Debt service	185,010			
Total governmental activities	1,392,130	226,347	233,326	66,790
Business Type Activities				
Water	586,689	418,046		
Sewer	490,646	435,189		
Sanitation	122,405	138,972		
Total business type activities	1,199,740	992,207		
Total	\$ 2,591,870	\$ 1,218,554	\$ 233,326	\$ 66,790
General Receipts				
Property tax levied for				
General purposes				
Debt service				
Local option sales tax				
Hotel/motel tax				
Unrestricted interest on investments				
Bond proceeds				
Other city tax and permits				
Miscellaneous				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash basis net assets				
Nonexpendable				
Expendable				
Debt service				
Other purposes				
Unrestricted (deficit)				
Total cash basis net assets				

There were no reconciling items between the Governmental and Proprietary Fund Statements of Cash Receipts, Disbursements and Changes in Cash Balances and the above Statement. See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (216,619)		\$ (216,619)
13,944		13,944
(196,844)		(196,844)
(41,126)		(41,126)
(240,012)		(240,012)
(185,010)		(185,010)
(865,667)		(865,667)
	(168,643)	(168,643)
	(55,457)	(55,457)
	16,567	16,567
	(207,533)	(207,533)
\$ (865,667)	\$ (207,533)	\$ (1,073,200)
524,394		524,394
190,643		190,643
157,469		157,469
52,652		52,652
4,350	402	4,752
	477,068	477,068
14,503		14,503
32,934		32,934
976,945	477,470	1,454,415
111,278	269,937	381,215
(96,018)	1,030,115	934,097
\$ 15,260	\$ 1,300,052	\$ 1,315,312
\$ 67,271	\$	\$ 67,271
	14,462	14,462
312,566	1,285,590	1,598,156
(364,577)		(364,577)
\$ 15,260	\$ 1,300,052	\$ 1,315,312

City of Colfax, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2012

	Special Revenue			
	General	Road Use Tax	Local Option Sales Tax	Hotel/Motel Tax
Receipts				
Property Taxes	\$ 368,811	\$	\$	\$
Other City Tax	14,503		157,469	52,652
Licenses and Permits	24,784			
Use of Money and Property	4,012		113	225
Intergovernmental	34,803	198,523		
Charges for Services	156,178			
Miscellaneous	76,582	514		
Total Receipts	679,673	199,037	157,582	52,877
Disbursements				
Operating				
Public Safety	357,660			
Public Works		169,143		
Health and Social Services				
Culture and Recreation	161,395			57,247
Community and Economic Development			64,330	
General Government	205,373			
Debt Service				
Total Disbursements	724,428	169,143	64,330	57,247
Excess (deficiency) of receipts over (under) disbursements	(44,755)	29,894	93,252	(4,370)
Other financing sources (uses)				
Operating transfers in	100,463			
Operating transfers out			(78,484)	(21,979)
Total other financing sources (uses)	100,463		(78,484)	(21,979)
Net change in cash balances	55,708	29,894	14,768	(26,349)
Cash balance (deficit) - beginning of year	(387,446)	(6,871)	113,580	82,233
Cash balance (deficit) - end of year	\$ (331,738)	\$ 23,023	\$ 128,348	\$ 55,884
Cash basis fund balances (deficit)				
Nonspendable- Cemetery perpetual care	\$	\$	\$	\$
Restricted for other purposes		23,023	128,348	55,884
Unassigned	(331,738)			
Total cash basis fund balances (deficit)	\$ (331,738)	\$ 23,023	\$ 128,348	\$ 55,884

The accompanying notes to financial statements are an integral part of this statement.

Special Revenue

		Other Nonmajor Governmental		
Employee Benefits	Debt Service	Funds	Total	
\$ 155,583	\$ 190,643	\$	\$	715,037
				224,624
				24,784
				4,350
		66,790		300,116
				156,178
		1,223		78,319
155,583	190,643	68,013		1,503,408
78,057				435,717
15,436				184,579
20,254				238,896
		43,586		107,916
34,639				240,012
	185,010			185,010
148,386	185,010	43,586		1,392,130
7,197	5,633	24,427		111,278
				100,463
				(100,463)
7,197	5,633	24,427		111,278
97,368	(28,537)	33,655		(96,018)
\$ 104,565	\$ (22,904)	\$ 58,082	\$	15,260
\$	\$	\$	\$	67,271
104,565		67,271		312,566
	(22,904)	746		(364,577)
\$ 104,565	\$ (22,904)	\$ 58,082	\$	15,260

City of Colfax, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2012

	Water	Sewer	Sanitation	Total
Operating receipts				
Charges for service	\$418,046	\$ 435,189	\$138,972	\$992,207
Operating disbursements				
Business type activities	277,424	224,082	122,405	623,911
Excess of operating receipts over operating disbursements	140,622	211,107	16,567	368,296
Non-operating receipts (disbursements)				
Bond proceeds	477,068			477,068
Interest on investments	356	25	21	402
Debt service	(36,131)	(178,957)		(215,088)
Capital projects	(273,134)	(87,607)		(360,741)
Total non-operating receipts (disbursements)	168,159	(266,539)	21	(98,359)
Net change in cash balances	308,781	(55,432)	16,588	269,937
Cash balances - beginning of year	608,153	278,540	143,422	1,030,115
Cash balances - end of year	<u>\$ 916,934</u>	<u>\$ 223,108</u>	<u>\$ 160,010</u>	<u>\$ 1,300,052</u>
Cash basis fund balances				
Restricted for debt service	\$ 4,865	\$ 9,597	\$	\$ 14,462
Assigned	912,069	213,511	160,010	1,285,590
Total cash basis fund balances	<u>\$ 916,934</u>	<u>\$ 223,108</u>	<u>\$ 160,010</u>	<u>\$ 1,300,052</u>

See notes to financial statements.

City of Colfax, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Fiduciary Funds
As of and for the Year Ended June 30, 2012

	<u>Library Memorials</u>	<u>Tenant Memorial</u>	<u>IDED Project</u>
Receipts			
Donations	\$ 6,235	\$	
Investment earnings - interest	<u>71</u>	<u>1,306</u>	
Total receipts	<u>6,306</u>	<u>1,306</u>	
Disbursements			
Culture and Recreation	<u>11,962</u>		
Excess (deficiency) of receipts over disbursements	(5,656)	1,306	
Cash balance - beginning of year	45,867	66,169	1,143
Cash balance - end of year	<u><u>\$ 40,211</u></u>	<u><u>\$ 67,475</u></u>	<u><u>\$ 1,143</u></u>

CITY OF COLFAX, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1/ Summary of Significant Accounting Policies

The City of Colfax is a political subdivision of the State of Iowa located in Jasper County. It was first incorporated in 1866 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a nonpartisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements, and general administrative services.

A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing board and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units that meet the criteria.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards, commissions and 28E agreement: Jasper County Assessor's Conference Board, Selective Enforcement Response Team and Safety Coalition of Central Iowa Cities, City- County Planning Board, and Central Iowa Committee and a 28 E agreement for police, fire and emergency response with the City of Mitchellville.

The City also participates in the Jasper County Animal Rescue League and Humane Society with other municipalities in an organization under Chapter 28E of the Code of Iowa and paid fees to the organization \$3,657 during the fiscal year.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's non-fiduciary net assets. Net Assets are reported in three categories:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which direct disbursements of a given function are offset by program receipts. Direct disbursements are those which are clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax is used to account for the City's sales tax receipts and the disbursements financed by such.

The Hotel/Motel Tax Fund is used to account for the City's hotel/motel tax receipts and the disbursements financed by such.

The Employee Benefits Fund is used to account for the tax levy and the disbursement for the benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Sanitation Fund accounts for the operation of the City's solid waste disposal system.

C. Measurement Focus and Basis of Accounting

The City of Colfax maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial

statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then less restrictive classifications- committed, assigned and the unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable- Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted- Amounts restricted to specific purposes when constraints places on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned- Amounts the Council intends to use for specific purposes.

Unassigned- All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

2/ Cash and Pooled Investments

The City's deposits at June 30, 2012 were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest Rate Risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but maturities shall be consistent with the needs and use of the City.

3/ Notes Payable

The annual debt service requirement to maturity for general obligation notes, and the revenue notes and bonds is as follows:

Year Ending June 30,	General Obligation Notes		Revenue Notes and Bonds		Total Annual Debt Retirement	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	32,554	5,842	158,965	48,427	191,519	54,269
2014	25,162	4,410	149,000	43,172	174,162	47,582
2015	21,000	3,312	153,000	38,702	174,000	42,014
2016	21,000	2,400	158,000	34,112	179,000	36,512
2017	10,000	2,000	164,000	29,372	174,000	31,372
2018-2022	40,000	4,000	815,068	70,838	855,068	74,838
Totals	\$ 149,716	\$ 21,964	\$ 1,598,033	\$ 264,623	\$ 1,747,749	\$ 286,587

The City has pledged future water receipts, net of specified operating disbursements, to repay \$510,000 in water revenue bonds issued February, 2012. Proceeds were used to provide financing to water system improvements. The obligations are payable solely from water customer net receipts and are payable through 2021. Up to 30% of the obligation may be forgivable upon completion of the project in the year ending June 30, 2013. The above schedule and the Bond and Note Maturities Schedule do not consider the forgivable portion since the final status of the project has not been determined as of the date of this report. If the bonds are not forgiven, the principal and interest to be paid on the obligations is \$ 513,676. For the current year, principal and interest paid was \$36,131 and total customer net receipts were \$140,622.

The City has pledged future sewer receipts, net of specified operating disbursements, to repay \$2,234,000 in sewer revenue note and bonds issued in May 2001 and March 2003, respectively. Proceeds were used to provide financing for the construction of improvements to the sewer plant. The obligations are payable solely from sewer customer net receipts and are payable through 2022. The total principal and interest remaining to be paid on the obligations is \$1,348,980. For the current year, principal and interest paid was \$178,957 and total customer net receipts were \$211,107.

The resolutions providing for the issuance of the note and bonds include the following provisions:

- The notes or bonds will only be redeemed from the future earnings of the water and sewer activities and the holders hold a lien on the future earnings of each fund.
- Sufficient monthly transfers shall be made to a separate revenue bond sinking account for the purpose of making the next principal and interest payments.
- The City shall establish, impose, adjust and provide for the utility rates to produce gross revenues at least sufficient to leave a balance, after specified operating disbursements, equal to 110% of the principal and interest due in any fiscal year.

Equipment Purchase Contract-

In February, 2010, the City entered into an equipment purchase contract totaling \$58,204 to purchase a backhoe. The annual payment of \$13,186, including interest at 4.15%, began February, 2011 and will continue each year until February, 2015. At June 30, 2012 the unpaid principal balance was \$36,217.

4/ Tax Increment Financing

In 1988, 1991, and 1999, the City established three urban renewal districts and is permitted to make agreements with the county and school, in accordance with Chapter 403.19 of the Code of Iowa, to divide the increase in taxes, as a result of the incremental property tax valuation in those districts.

In July 2001, the City and Jasper County entered into a 28E agreement to develop the Colfax I-80 Interchange Urban Renewal Project area. The City extended its water and sanitary sewer service to the area. By June 30, 2011, the County had loaned the City \$1,197,501 for the extension costs and \$80,175 to reimburse engineering costs. The County collects and retains all tax increment revenues collected from the taxable properties located in the area. If upon maturity of the loan, the revenue collected is not sufficient to fully reimburse the County for all the principal and interest paid by the County, on its loan for this specific purpose, the City will be obligated to repay the unpaid balance plus interest at the rate then being paid by the County on its loan. Since the repayment is contingent on future taxes paid in the Urban Renewal Project area, the amounts of the payments, if any, are not readily determinable.

5/ Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$45,992, \$ 44,396, and \$40,572, respectively, equal to the required contributions for each year.

6/ Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The liability is computed based on the rate of pay as of June 30, 2012. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2012, primarily relating to the General Fund, was \$41,000.

7/ Other Postemployment Benefits (OPEB)

Plan Description- The City participates in a multi-employer benefit plan which provides medical/prescription drug and dental benefits for active employees, retirees and their spouses. There are 10 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The benefits are provided through a fully-insured plan with Central States Southeast and Southwest Areas Health and Welfare and Pensions Fund. Retirees under age 65 pay the full premium for the benefits while the City contributes to the premium of active employees.

Funding Policy- The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member weekly premiums are \$215 for the City and \$30 for active employees. The contribution requirements of plan members are established and may be amended by the City. For the year ended June 30, 2012, the City contributed \$109,375 and plan members eligible for benefits contributed \$14,340 to the plan.

8/ Landfill Closure and Postclosure Care

The City has entered into an agreement with several other municipalities, as allowed under Code of Iowa Section 28E, to provide for economical and environmentally responsible disposal of solid waste and establish permanent environmental responsibility for the Newton Sanitary Landfill. State and federal laws and regulations require the Newton Sanitary Landfill to place a final cover on the site and to perform certain maintenance and monitoring functions at the site for thirty years after closure. To date, 31% of the landfill has been filled and the estimated total liability for such is \$ 4,763,200, based on 2012 cost estimates. Actual costs may be higher due to inflation, technology changes, and changes in regulations.

The Code of Iowa requires the Landfill to maintain separate closure and postclosure care accounts to accumulate resources for the payment of these costs. To date \$ 730,581 has been accumulated. Since the estimated closure and foreclosure costs have not been fully funded, the Landfill is required to demonstrate financial assurance for the unfunded costs. The Landfill has adopted the local government financial test assurance mechanism and has met the requirement issued by the Iowa Department of Natural Resources. The unfunded liability will be funded over the estimated remaining life of the Landfill. In the event it is not funded appropriately, the 28E agreement makes the City of Colfax responsible for 2.11 % or approximately \$85,000 based on the June 30, 2012 information. The City's proportionate share is updated annually in accordance with the agreement.

9/ Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer from	Transfer to General
Local Option	78,484
Hotel/Motel Tax	21,979
	<u>\$ 100,463</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

10/ Related Party Transactions

The City had business transactions between the City and City officials totaling \$2,499 during the year ended June 30, 2012.

11/ Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

12/ Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that effect the reported amounts and disclosure of liabilities, contingent liabilities and commitments at the date of the

financial statements, and the classification of receipts and disbursements during the reporting period. Actual results could differ from the estimates that were used.

13/ Deficit Fund Balances

At June 30, 2012 the General, Debt Service and CDBG Funds had deficit balances of \$331,738, \$22,904, and \$9,935, respectively. The deficit in the General Fund will be reduced by transfers from the Proprietary Fund operating accounts to the extent possible. The deficit in the Debt Service Fund will be reduced by increasing property tax levies in subsequent years. The CDBG Fund will be reduced by future grant receipts.

14/ Economic Development Loan

In 2004, with funds from the Iowa Department of Economic Development (IDED), the City loaned \$150,000 to a local manufacturing company which employed 40 people. The loan was forgivable to the extent of \$75,000 and the company fulfilled the requirement for such. Repayments totaling \$21,250 were received through 2007 on the \$75,000 balance. Any repayments were to be used by the City for similar projects. In 2009, a new company acquired the assets and received a \$25,000 loan and a \$25,000 forgivable loan from IDED. In addition, the City loaned \$20,000 which was to be repaid, beginning March 1, 2011, with annual payments of \$2,000. To date nothing has been received.

The City also requested payment of the \$53,750 remaining balance, plus interest, from the owners of the old company. To date nothing has been received.

City of Colfax, Iowa
 Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Net
Receipts			
Property Taxes	\$ 715,037		\$ 715,037
Other city tax	224,624		224,624
Licenses and permits	24,784		24,784
Use of Money and Property	4,350	402	4,752
Intergovernmental	300,116		300,116
Charges for Service	156,178	992,207	1,148,385
Miscellaneous	78,319		78,319
Total Receipts	<u>1,503,408</u>	<u>992,609</u>	<u>2,496,017</u>
Disbursements			
Public Safety	435,717		435,717
Public Works	184,579		184,579
Health and Social Services			
Culture and Recreation	238,896		238,896
Community and Economic Development	107,916		107,916
General Government	240,012		240,012
Debt Service	185,010		185,010
Capital Projects		360,741	360,741
Business type activities		838,999	838,999
Total Disbursements	<u>1,392,130</u>	<u>1,199,740</u>	<u>2,591,870</u>
Excess (deficiency) of receipts over (under) disbursements	<u>111,278</u>	<u>(207,131)</u>	<u>(95,853)</u>
Other financing (uses) net		<u>477,068</u>	<u>477,068</u>
Excess of receipts over disbursements and other financing sources and uses	<u>111,278</u>	<u>269,937</u>	<u>381,215</u>
Balance (deficit) - beginning of year	<u>(96,018)</u>	<u>1,030,115</u>	<u>934,097</u>
Balance (deficit) - end of year	<u>\$ 15,260</u>	<u>\$ 1,300,052</u>	<u>\$ 1,315,312</u>

See accompanying independent auditors' report.

Budgeted Amounts		
Original	Final	Final to Net Variance
\$ 698,356	\$ 698,356	\$ 16,681
262,662	262,662	(38,038)
10,625	10,825	13,959
6,000	6,000	(1,248)
201,182	241,182	58,934
957,500	998,500	149,885
33,000	35,900	42,419
2,169,325	2,253,425	242,592
437,852	462,852	27,135
233,646	705,614	521,035
12,000	12,000	12,000
188,260	206,260	(32,636)
59,500	99,500	(8,416)
184,874	184,874	(55,138)
189,491	189,491	4,481
		(360,741)
805,490	805,490	(33,509)
2,111,113	2,666,081	74,211
58,212	(412,656)	316,803
	471,968	5,100
58,212	59,312	321,903
1,365,623	2,412,322	(1,478,225)
\$ 1,423,835	\$ 2,471,634	\$ (1,156,322)

City of Colfax, Iowa
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2012

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, budget amendments increased budgeted disbursements by \$ 554,968. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the Culture and Recreation, Community and Economic Development and General Government functions. Budgeted disbursements were also exceeded in the Capital Project and Business Type Activities functions. This was primarily due to: classifying these disbursements as public works in the budget rather than capital project functions and capital project expenses paid by business type activities.

City of Colfax, Iowa
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2012

	Special Revenue		Permanent	
	Flood	CDBG	Cemetery Perpetual Care	Total
Receipts				
Intergovernmental	\$	\$ 66,790	\$	\$ 66,790
Miscellaneous			1,223	1,223
Total Receipts		66,790	1,223	68,013
Disbursements				
Community and Economic Development	1,422	42,164		43,586
Excess (Deficiency) of Receipts over (under) disbursements	(1,422)	24,626	1,223	24,427
Cash balance - beginning of year	2,168	(34,561)	66,048	33,655
Cash balance - end of year	\$ 746	\$ (9,935)	\$ 67,271	\$ 58,082
Cash basis fund balances				
Nonspendable	\$	\$	\$ 67,271	\$ 67,271
Restricted	746			746
Unassigned		(9,935)		(9,935)
Total cash basis fund balances	\$ 746	\$ (9,935)	\$ 67,271	\$ 58,082

See accompanying independent auditors' report.

City of Colfax, Iowa
Schedule of Indebtedness
For the year ended June 30, 2012

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Notes			
Fire Station and Park Project	March 2, 1998	5.00%	\$ 400,000
City Hall Note	April 1, 2002	5.00%	35,000
South Sewer	April 14, 2003	3.50%	400,000
Lake Street Sewer	October 1, 2004	4.50%	100,000
Federal Street Improvements	February 15, 2008	4.50%	75,000
Water and Sewer Improvements	October 24, 2006	4.65%	110,000
Street Improvements	September 1, 2010	4.00%	100,000
Corporate Purpose Note			
Sewer Equipment and Streetsweeper	September 15, 2005	4.50%	232,500
Totals			
Revenue Notes and Bonds			
Water Revenue Bonds	February 24, 2012	3.00%	510,000
Sewer Revenue Bonds	March 15, 2003	3.00%	1,984,000
Sewer Revenue Note	May 8, 2001	6.25%	250,000
Totals			
Equipment Contract- Backhoe	February 24, 2010	4.15%	58,204

The accompanying notes to financial statements are an integral part of this statement.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 36,904	\$	\$ 36,904	\$	\$ 1,876
3,500		3,500		176
40,000		40,000		1,423
28,716		13,000	15,716	1,163
15,000		15,000		686
55,000		11,000	44,000	2,600
100,000		10,000	90,000	7,100
38,750		38,750		1,832
<u>\$ 317,870</u>		<u>\$ 168,154</u>	<u>\$ 149,716</u>	<u>\$ 16,856</u>
\$	\$ 477,068	\$ 31,000	\$ 446,068	\$ 3,856
1,233,000		96,000	1,137,000	36,990
53,965		39,000	14,965	3,884
<u>\$ 1,286,965</u>	<u>\$ 477,068</u>	<u>\$ 166,000</u>	<u>\$ 1,598,033</u>	<u>\$ 44,730</u>
<u>\$ 47,434</u>	<u>\$</u>	<u>\$ 11,217</u>	<u>\$ 36,217</u>	<u>\$ 1,942</u>

City of Colfax, Iowa
Bond and Note Maturities
For the year ended June 30, 2012

Year Ending June 30,	Lake Street Sewer		Water and Sewer Improvements		Street Improvement	
	Issued October 1, 2004		Issued October 24, 2006		Issued September 1, 2010	
	Interest Rates (%)	Amount	Interest Rates (%)	Amount	Interest Rates (%)	Amount
2013	4.50	11,554	4.65	11,000	4.00	10,000
2014	4.50	4,162	4.65	11,000	4.00	10,000
2015			4.65	11,000	4.00	10,000
2016			4.65	11,000	4.00	10,000
2017					4.00	10,000
2018					4.00	10,000
2019					4.00	10,000
2020					4.00	10,000
2021					4.00	10,000
Totals		<u>\$ 15,716</u>		<u>\$ 44,000</u>		<u>\$ 90,000</u>

Year Ending June 30,	Water Revenue Bonds		Sewer Revenue Notes		Sewer Revenue Bonds	
	Issued February 24, 2012		Issued May 8, 2001		Issued March 15, 2003	
	Interest Rates (%)	Amount	Interest Rates(%)	Amount	Interest Rates (%)	Amount
2013	3.00	45,000	6.25	14,965	3.00	99,000
2014	3.00	47,000			3.00	102,000
2015	3.00	48,000			3.00	105,000
2016	3.00	50,000			3.00	108,000
2017	3.00	52,000			3.00	112,000
2018	3.00	53,000			3.00	115,000
2019	3.00	55,000			3.00	118,000
2020	3.00	57,000			3.00	122,000
2021	3.00	39,068			3.00	126,000
2022					3.00	130,000
Totals		<u>\$ 446,068</u>		<u>\$ 14,965</u>		<u>\$ 1,137,000</u>

See accompanying independent auditors' report.

Total General
Obligations
Obligation

32,554

25,162

21,000

21,000

10,000

10,000

10,000

10,000

10,000

\$ 149,716

Total
Revenue

158,965

149,000

153,000

158,000

164,000

168,000

173,000

179,000

165,068

130,000

\$ 1,598,033

City of Colfax, Iowa
Schedule of Receipts by Source and Disbursements by Function
All Government Funds
For the Last Eight Years

	2012	2011	2010	2009	2008
Receipts					
Property taxes	\$ 715,037	\$ 679,221	\$ 633,148	\$ 661,194	\$ 627,494
Tax increment financing collections			26,699	23,036	17,140
Other city tax	224,624	249,343	238,398	236,577	229,257
Licenses and permits	24,784	10,350	12,898	9,198	12,363
Use of money and property	4,350	6,933	12,514	19,999	22,702
Intergovernmental	300,116	238,912	237,890	256,998	418,635
Charges for service	156,178	120,678	130,646	119,656	144,787
Special assessments			10,731	46,797	
Miscellaneous	78,319	105,097	64,615	81,213	24,970
Total	<u>\$ 1,503,408</u>	<u>\$ 1,410,534</u>	<u>\$ 1,367,539</u>	<u>\$ 1,454,668</u>	<u>\$ 1,497,348</u>
Disbursements					
Operating					
Public safety	\$ 435,717	\$ 450,330	\$ 612,848	\$ 486,489	\$ 408,237
Public works	184,579	302,819	213,773	335,071	503,078
Health and social services		4,217	5,900		
Culture and recreation	238,896	172,112	229,619	256,398	186,962
Community and economic development	107,916	130,449	31,126	43,916	83,565
General government	240,012	235,094	175,296	180,088	177,694
Debt service	185,010	198,018	194,521	201,880	242,514
Total	<u>\$ 1,392,130</u>	<u>\$ 1,493,039</u>	<u>\$ 1,463,083</u>	<u>\$ 1,503,842</u>	<u>\$ 1,602,050</u>

See accompanying independent auditors' report.

2007	2006	2005
\$ 583,887	\$ 529,100	\$ 557,068
17,426	16,114	17,510
213,583	338,289	181,448
22,075	19,277	15,622
22,415	14,512	5,579
256,279	207,885	196,590
108,484	140,273	197,131
73,784	93,437	119,495
<u>\$ 1,297,933</u>	<u>\$ 1,358,887</u>	<u>\$ 1,290,443</u>

\$ 384,234	\$ 376,397	\$ 512,601
246,762	326,697	284,064
		6,182
174,050	180,711	167,381
3,001	3,000	3,001
200,153	272,783	284,583
188,570	172,458	122,653
<u>\$ 1,196,770</u>	<u>\$ 1,332,046</u>	<u>\$ 1,380,465</u>

POLLARD AND COMPANY P.C.

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IOWA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Colfax, Iowa as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon as dated below. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of the City of Colfax is responsible for establishing and maintaining effective internal control over financing reporting. In planning and performing our audit, we considered the City of Colfax's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting that we considered to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of control deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected on a timely basis.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Colfax's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Colfax's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusion on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a matter of public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Colfax and other parties to whom the City of Colfax may report. This report is not intended to be and should not be used by anyone other than these specified parties.

May 10, 2013

Pollard and Company P.C.

Part II: Other Findings Related to Statutory Reporting (continued)

II-B-12 Questionable Disbursements

We noted no disbursements for parties, banquets or other entertainment expenses that do not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-12 Travel Expense

We noted no disbursements of City money for travel expenses of spouses of City officials or employees during the year.

II-D-12 Business Transactions

Business transactions between the City and City officials or employees are as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Bryan Poulter, Council Member,	Swimming Pool Manager Wages	\$2,499

In accordance with Chapter 362.5(10) of the Code of Iowa, this transaction does not appear to be a conflict of interest, since the duties of the function are not incompatible with duties as a Council Member.

II-E-12 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-12 Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not.

Although the minutes were published as required, they did not always contain a summary of receipts in accordance with Chapter 372.13(6) of the Code of Iowa.

Recommendation

The City should comply with the Code of Iowa and publish a summary of the receipts

Response

We will publish the summary of receipts as required.

Conclusion - Response accepted

II-G-12 Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa.

II-H-12

Financial Condition

The General, Debt Service, and CDBG Funds had deficit balances at June 30, 2012 of \$331,738, \$22,904, and \$9,935, respectively.

Recommendation

The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response

Note 13 of the financial statements describes the City's plans to eliminate the deficits.

Conclusion

Response accepted.